Alberta

GAS ROYALTY OPERATIONS
INFORMATION BULLETIN

Petroleum Plaza – North Tower
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www.alberta.ca

July 2016

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

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ANNOUNCEMENTS

Potential Postal Strike

In the event of a postal strike, royalty clients are advised that royalty payments are required by the specified due dates on the Gas Royalty Crown Invoice. Please note, interest charges will not be waived should payments arrive late into Department offices.

The following website identifies the ability to have royalty payments submitted by auto debit.
http://www.energy.alberta.ca/OurBusiness/1184.asp

Contact: Linda Humeniuk at 780.427.7705 or Mary Burrows at 780.422.5198

MONTHLY INFORMATION

Re-Allocation of Assigned Volumes (RMF2s)

As per the *Alberta Natural Gas Royalty Guidelines (2009)*, Chapter III, Section 2.2.1, Royalty clients may submit an RMF2 form if they wish to reassign all or part of their Crown and/or freehold volumes of gas and gas products allocated to well events, well groups, units, or injection schemes. The RMF2 Listing report identifies the royalty clients' active RMF2s currently in our system as well as the date that the form was last used to re-assign volumes.

Royalty Clients should review their RMF2 reports issued each month, and are requested to submit termination dates for those RMF2s that are no longer required. The number of unused documents continues to increase. Part 3.4 of the RMF2 form requires a Termination Date be completed and it should be defined for a reasonable timeframe. The RMF2 is not intended for the facilitation of sales activity between clients. In those instances, the OAF can be changed in order to facilitate a smooth transition of responsibility for the production volumes. As a reminder, the department will require definite termination dates applied to each form (Part 3.4). If the termination date is not on the form, it will be returned to the submitter. The Department expects that this will reduce the number of obsolete documents in our system.

If you require any additional information please contact VCR at VCR@gov.ab.ca.

Pricing for Gas and Gas Products

For pricing on gas, gas products, and transportation information for May 2016, please refer to the Information Letter.

The monthly default sulphur price for **May 2016** is **$38.89.** Below are the annual sulphur default prices:

2012	2013	2014	2015
$98.02	$53.60	$86.16	$104.51

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May 2016 Royalty Due August 31, 2016

Royalty clients are to remit the total amount payable shown on the August 2016 Statement of Account by August 31, 2016. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of May if it is paid in full by August 31, 2016.

The August 2016 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your May 2016 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Note: If the due date falls on a non-business day, the next business day will apply as the due date *except for the month of March due to the Government of Alberta's fiscal year end.* In this situation, the due date will apply previous to the non-business day as the due date.

Cheques are made payable to the Government of Alberta and must contain the G94 account number as reflected on the Statement of Account.

June 2016 VA4 due August 15, 2016

The VA4 forms for the production month of June 2016 are due in the department offices by August 15, 2016.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."***

Interest Rate July 2016

Alberta Energy's interest rate for July 2016 is **3.70%**

April Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the April 2016 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
$288,336.49	($492,257.68)	($203,921.19)

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April Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the April 2016 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2016/04
AC2	$182,500	($5,700)	$176,800
AC5	$4,200	$0	$4,200
NGL1	$0	$0	$0
VA3	$0	$0	$0
VA4	$0	$0	$0
Total	**$186,700**	($5,700)	**$181,000**

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the April 2016 billing period, the potential royalty dollar impact is estimated as $1.3 million, distributed as follows by production year:

2015	2016
$0.6 million	$0.7 million

NOTE: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on July 1st and July 14th. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780.427.1550.

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INFRASTRUCTURE DATA

Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780.422.1395 or CrownLandDataSupport@gov.ab.ca if you have any questions regarding the information supplied in this article.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780.422.1395 or CrownLandDataSupport@gov.ab.ca.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

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REMINDERS

2016 Capital Costs, Operating Cost and Custom Processing Fee Allowances

For the January through March 2016 billing period invoices, royalty clients received estimated monthly cost deductions that were based on actual allowable costs for the 2014 production year, multiplied by their estimated Facility Effective Royalty Rates (FERR), divided by 12 (months). The information in the 2015 AC2, AC3, and AC5 documents was used to calculate the 2015 actual capital cost, operating cost and custom processing fee allowances. The calculations are reflected in the April 2016 Initial Annual Billing Period (IABP) invoice, issued in June 2016. The 2015 actual allowable costs will become the royalty client's 2016 allowable cost estimates.

Commencing with the April 2016 billing period, royalty clients will receive monthly deductions based on their 2016 allowable cost estimates, multiplied by their new FERR, minus the total deductions received in the January through March 2016 billing period invoices, divided by the number of months remaining in the year (e.g. 9 months as of the April billing period). If a cost estimate is manually processed in the January, February, March or April 2016 production months, the system does not replace it with a new cost estimate in the April IABP invoice.

If a royalty client requires a change to the 2016 go-forward allowable cost estimates and/or the FERR, a written request with supporting documentation must be submitted to the Gas Royalty Volumetric and Cost Reporting team (see Chapter VI, Section 1 of the Guidelines). These estimates must be calculated and submitted at a client/facility level.

Client Contact Information

If your company wishes to be informed or involved in user testing changes to User Defined Files (UDF) , Department Defined Files (DDF) or. csv files we require your contact information. Please provide your Client name, contact person, phone number and an e-mail address and submit to: BusinessSystemsCoordination.Energy@gov.ab.ca.

Alberta Natural Gas Guidelines (2009) – Update to Appendix G – Allowable and Non-Allowable Capital Costs Diagram

Please note the following clarification of Allowable/Non-Allowable Capital and Operating Costs related to **Acid Gas Injection:**

As per the *Alberta Natural Gas Royalty Guidelines (2009)*, Appendix G, and page G-5: Facility Schematic, the LEGEND indicates "Items that are GREY are Non-Allowable" and "Items that are BLACK are Allowable."

In the facility schematic the line and compressor prior to the Acid Gas Injection Well are shown in BLACK. This would seem to indicate that they are Allowable.

Please note that this is an **incorrect** depiction as to the eligibility of capital and operating costs related to acid gas injection. The schematic will be updated to reflect the correct depiction of allowable and non-allowable operating and capital costs.

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As per the written part of the Guidelines, Appendix G, Section 3.1:

"The following are the non-allowable capital costs approved by the Minister:

- ***Lines, compressors, wells and other significant facilities or equipment relating to the injection function."***

The line and compressor are non-allowable and should be depicted in GREY.

Please note that both capital and operating costs related to **Acid Gas Injection** are Non-Allowable.

Royalty Deposit Adjustment

The annual royalty deposit adjustment is calculated as 1/6th of the client's previous year's royalty multiplied by a factor. The factor of 1.24 is calculated by dividing the current year's long term gas price for 2016 of 3.00 by the average 2015 Alberta Reference Price of 2.42. The adjustment will be processed in the Initial Annual Billing Period (IABP), June 2016 calendar month (April 2016 billing period invoice).

If you have any questions, please contact Jui-Chao Soh at 780.643.0964.

BUSINESS CONTACTS

Quick Reference

Group	Email
Petrinex Service Desk	Petrinexsupport@Petrinex.ca
Client Registry / Crown Land Data	CrownLandDataSupport@gov.ab.ca
Volumetric & Cost Reporting	VCR@gov.ab.ca
Management Information	ManagementInformation.Energy@gov.ab.ca
Gas Royalty Accounting	GasRoyaltyAccounts.Energy@gov.ab.ca
Gas Royalty Rapid Transit Payments	G94Deposit@gov.ab.ca
Gas Royalty Features	GasRoyaltyPrograms@gov.ab.ca

Petrinex Service Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403.297.6111 or 1.800.992.1144
Fax: 403.297.3665
Email: Petrinexsupport@Petrinex.ca
Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of three teams as shown below:

Team	Team Lead
Volumetrics	Nicole Le Blanc
Costs	Sheruna Naidoo
Process Support	Penny Calen

Gas Royalty Voicemail: 780.422.8727
Fax: 780.427.3334
Alberta Toll Free: 780.310.0000
Gas Royalty Email: VCR@gov.ab.ca
Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage and Farm Gas should be forwarded to the Management Information Team at ManagementInformation.Energy@gov.ab.ca.

Gas Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forward to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

Reference Prices and Valuation Allowances Calculation Information

For information related to Natural Gas and Natural Gas Liquids reference prices, and Sulphur valuation submissions (VA3 and VA4), contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403.297.5514
Fax: 403.297.5400
Email: GasValuation.Energy@gov.ab.ca

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Alberta Energy Internet Webpage

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: www.energy.alberta.ca. From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Richard Stokl
Director, Gas Royalty Operations
Royalty Operation